

**REPORT OF THE AUDIT OF THE
BOYD COUNTY
CLERK**

**For The Year Ended
December 31, 2009**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BOYD COUNTY CLERK

**For The Year Ended
December 31, 2009**

The Auditor of Public Accounts has completed the Boyd County Clerk's audit for the year ended December 31, 2009. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$174,259 from the prior year, resulting in excess fees of \$148,059 as of December 31, 2009. Revenues decreased by \$1,201,681 from the prior year and expenditures decreased by \$1,027,422.

Report Comment:

- The County Clerk Should Require All Taxpayers To Pay Any Delinquent Ad Valorem Taxes Owed

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities or bonds.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS	3
NOTES TO FINANCIAL STATEMENT	6
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	11
COMMENT AND RECOMMENDATION	15



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable William Stevens, Boyd County Judge/Executive
The Honorable Debbie Jones, Boyd County Clerk
Members of the Boyd County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Boyd County, Kentucky, for the year ended December 31, 2009. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2009, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 29, 2010 on our consideration of the Boyd County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable William Stevens, Boyd County Judge/Executive
The Honorable Debbie Jones, Boyd County Clerk
Members of the Boyd County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Clerk Should Require All Taxpayers To Pay Any Delinquent Ad Valorem Taxes Owed

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Boyd County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

July 29, 2010

BOYD COUNTY
DEBBIE JONES, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2009

Revenues

State Grants		\$	26,338
State Fees For Services			24,676
Fiscal Court			181,840
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	1,397,168	
Usage Tax		3,945,352	
Tangible Personal Property Tax		3,991,385	
Other-			
Fish and Game Licenses		10,435	
Marriage Licenses		32,763	
Deed Transfer Tax		71,933	
Delinquent Tax		<u>1,375,521</u>	10,824,557
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		17,527	
Real Estate Mortgages		81,757	
Chattel Mortgages and Financing Statements		100,092	
Powers of Attorney		3,105	
Liens		22,300	
Releases		24,543	
Affordable Housing Trust		53,850	
All Other Recordings		17,320	
Charges for Other Services-			
Candidate Filing Fees		1,500	
Copywork		28,006	
Lien Release Fees		23,588	
Notary Fees		20,471	
Postage		4,213	
Sheriff's Inspections		<u>17,765</u>	416,037
Other:			
Refunds		3,539	
Miscellaneous		<u>16,703</u>	20,242

The accompanying notes are an integral part of this financial statement.

BOYD COUNTY
 DEBBIE JONES, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

Revenues (Continued)

Interest Earned	\$	447
Total Revenues		11,494,137

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	942,040
Usage Tax		3,774,119
Tangible Personal Property Tax		1,236,817

Licenses, Taxes, and Fees-

Fish and Game Licenses		10,287
Delinquent Tax		143,773
Legal Process Tax		44,715
Affordable Housing Trust		53,844
	\$	6,205,595

Payments to Fiscal Court:

Tangible Personal Property Tax	255,140	
Delinquent Tax	206,374	
Deed Transfer Tax	68,336	529,850

Payments to Other Districts:

Tangible Personal Property Tax	2,365,257	
Delinquent Tax	625,185	2,990,442

Payments to Sheriff	113,954
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Payments to County Attorney	169,250
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Operating Expenditures:

Personnel Services-

Deputies' Salaries	639,124
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Employee Benefits-

Employer's Share Social Security	49,289
Employer's Share Retirement	108,564
Employer's Paid Health Insurance	199,755

The accompanying notes are an integral part of this financial statement.

BOYD COUNTY
 DEBBIE JONES, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

Expenditures (Continued)

Operating Expenditures: (Continued)

Contracted Services-

Library and Archives Grant \$ 26,338

Machine Maintenance 9,802

Materials and Supplies-

Office Supplies 33,185

Other Charges-

Clerk's Insurance Bonds 2,042

Conventions and Travel 15,540

Dues 610

Postage 11,950

Refunds 49,802

Telephone and Rent 26,259

Bank Service Charges 6,664

Miscellaneous 6,857 \$ 1,185,781

Debt Service:

Hardware and Software Leasing 58,524

Total Expenditures \$ 11,253,396

Net Revenues 240,741

Less: Statutory Maximum 86,436

Excess Fees 154,305

Less: Expense Allowance \$ 3,600

Training Incentive Benefit 2,646 6,246

Excess Fees Due County for 2009 148,059

Payments to Fiscal Court - March 24, 2010 140,000

July 29, 2010 8,059 148,059

Balance Due Fiscal Court at Completion of Audit \$ 0

The accompanying notes are an integral part of this financial statement.

BOYD COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2009 services
- Reimbursements for 2009 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2009

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

BOYD COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2009
(Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent for the first six months and 16.16 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Boyd County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Boyd County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

BOYD COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2009
(Continued)

Note 4. Grants

- A. In April 2007, the County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$26,338. Funds totaling \$26,338 were expended during the year. The account earned interest totaling \$171 which was paid to the County Clerk's fee account. As of December 31, 2009, the balance in the account was \$0.
- B. In November 2007, the County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$50,850. No funds were expended during the year. As of December 31, 2009, there was a balance of \$51,561, which includes \$711 of interest earned.
- C. In December 2009, the County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$40,613. No funds were expended during the year. As of December 31, 2009, there was a balance of \$40,613.

Note 5. Leases

- A. The office of the County Clerk was committed to multiple lease agreements with Software Management, Inc. for computer equipment and software. The lease agreements are combined and require a monthly payment of \$5,171 to be completed on October 31, 2012. The agreements will renew automatically for additional one year terms thereafter. The balance of these agreements was \$113,762 as of December 31, 2009.
- B. The office of the County Clerk is committed to an operating lease agreement for the branch office space in the KYOVA Mall. As of January 1, 2007, the lease was renewed for another 48 months to be completed December 31, 2010 at the rate of \$675 per month.
- C. The Ashland branch is rented on a month-to-month basis for \$480.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable William Stevens, Boyd County Judge/Executive
The Honorable Debbie Jones, Boyd County Clerk
Members of the Boyd County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Boyd County Clerk for the year ended December 31, 2009, and have issued our report thereon dated July 29, 2010. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Boyd County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Boyd County Clerk's financial statement for the year ended December 31, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The County Clerk Should Require All Taxpayers To Pay Any Delinquent Ad Valorem Taxes Owed

The Boyd County Clerk's response to the finding identified in our audit is described in the accompanying comment and recommendation. We did not audit the Clerk's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Boyd County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

July 29, 2010

COMMENT AND RECOMMENDATION

BOYD COUNTY
DEBBIE JONES, COUNTY CLERK
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2009

STATE LAWS AND REGULATIONS:

The County Clerk Should Require All Taxpayers To Pay Any Delinquent Ad Valorem Taxes Owed

During our audit, it came to our attention the County Clerk did not require all taxpayers to pay their delinquent ad valorem taxes, when issuing/renewing current registrations. We found numerous instances where this occurred, including an employee of the County Clerk's office that renewed her registration while owing \$574 in delinquent taxes. KRS 186A.145 states, "A county clerk shall not process an application for Kentucky title and registration from or to any Kentucky resident who has a delinquent motor vehicle ad valorem property tax account." Also, KRS 186.021(1) states, "a county clerk shall not issue a replacement plate, decal, or registration certificate...or a registration for renewal to any person who on January 1 of any year owned a vehicle on which...ad valorem taxes are delinquent." By not collecting the delinquent taxes due, the state, county, school, and other taxing districts could potentially lose thousands of tax dollars to which they are entitled. We recommend the County Clerk comply with KRS 186A.145 and KRS 186.021 and ensure no registration is issued or renewed until all delinquent taxes associated with it are paid as required. We are referring this matter to the Office of the Attorney General for further review.

County Clerk's Response: The Boyd County Clerk Automobile Department has a Main Office located in the County Courthouse, along with 2 branches. One being located in the City of Ashland, and the other located in the Kyova Mall, US RT #60. The Ashland Branch is open until 4:30 Monday thru Friday, and 9:00 - 12:00 the first and last Saturdays. The Kyova Mall is opened Monday thru Friday 10:30 - 6:00 p.m., and is opened every Saturday 9:00 - 12:00 Noon.

The Clerk's Office works with the Property Valuation Office, in assisting the customers with their delinquent taxes that are owed if any. My employees can only do this during the hours the PVA is opened. Their office is opened 8:30 – 4:00 p.m. Monday thru Friday. In discussing this matter with the Property Valuation Administrator Chuck Adkins, he did not realize that the auto branches that are opened after their 4:00 p.m. closing time have exonerations that are signed by the customers, that are not being processed by the PVA Office. In other words, when the PVA office picks up the daily exonerations from the County Clerk's Office on a daily basis that each exoneration has not been discussed with a PVA employee. A large number of exonerations were not processed due to this reason, causing a large number of taxes to remain in the AVIS System. The PVA says he is short handed. I have discussed this (going around the taxes) with each employee, and they have been instructed to "fix" the problem with the taxes by having each customer with delinquent taxes to phone or go to the PVA Office and get the situation taken care of, instead of "going around the problem" that causes the backlog of taxes. Realizing this situation, I will remain on top of this and hopefully this will not be a reoccurring problem in the future.

